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Message Text

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43
ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 PRS-01 SP-02

FEAE-00 OMB-01 XMB-02 /088 W
---------- 083303
O R 271205Z JUN 75
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 9148
INFO ALL EC CAPITALS 826

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E.O. 11652: N/A
TAGS: ETRD, EEC
SUBJECT: COUNTERVAILING DUTIES--FLOAT GLASS, CANNED HAMS

REF: A) STATE 150466 B) EC BRUSSELS 5793

1. SUMMARY: SOAMES AND EC COMMISSION OFFICIALS REACTED NEGATIVELY BUT NOT EMOTIONALLY TO THE NEWS OF THE TREASURY FINDINGS IN THE FLOAT GLASS AND CANNED HAM COUNTERVAILING CASES. THEY REGRETTED THAT THE US HAD NOT ACCEPTED THE ARGUMENT THAT REGIONAL AIDS ARE NOT EXPORT SUBSIDIES. THEY HOPE THAT COUNTERVAILING DUTIES
CAN BE WAIVED. END SUMMARY.

2. AFTER DISCUSSING ANOTHER SUBJECT WITH SOAMES, RABOT, HIJZEN, AND HANNAY (REF B), WE INFORMED THEM OF THE IMMINENT ANNOUNCEMENTS IN THE FLOAT GLASS AND CANNED HAM CASES (REF A).

3. ON FLOAT GLASS, HANNAY AND SOAMES EXPRESSED DIS-
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APPOINTMENT THAT THE US HAD NOT BEEN WILLING, AFTER

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THE EXPLANATIONS GIVEN, TO ACCEPT THE COMMISSION VIEW THAT THE REGIONAL AIDS DID NOT DISTORT TRADE. THE EC SURVEILLANCE OF MEMBER STATE PRACTIVCES STEMS FROM A LIVELY INTEREST IN THE MEMBER STATES IN ASSURING THAT OTHER, NEIGHBORING MEMBER STATES' INDUSTRIAL AIDS DO NOT ARTIFICAIALLY PROMOTE EXPORTS. WE EXPLAINED THAT THE LAW REQUIRED SOME EVIDENCE TO REBUT THE INFORMATION CONTAINED IN THE FLOAT GLASS INDUSTRY COMPLAINT. IT HAD BEEN OBTAINED IN THE CASE OF THE UK AND FRANCE, AND THEREFORE THE PRE-LIMINARY FINDING HAS BEEN NEGATIVE. UNFORTUNATELY, IN THE CASES OF GERMANY, ITALY AND BELGIUM, ADEQUATE INFORMATION HAD NOT BEEN FORTHCOMING.

4. HIJZEN SAID HE HAD BEEN TRYING TO DAMP DOWN THE MEMBER STATE REACTIONS IN ADVANCE OF THE ANNOUNCE-MENTS BY EXPLAINING THESE WERE ONLY PRELIMINARY FINDINGS REQUIRED BY THE LAW, AND THAT THERE WAS A SIX-MONTH PERIOD FOR CONSIDERATION AND CONSULTATION. HE THOUGHT IT WAS UNFORTUNATE, HOWEVER, THAT THE PRELIMINARY FINDINGS FAVORED TWO MEMBER STATES AND COULD GO AGAINST THREE OTHERS. THIS KIND OF DIFFER-ENTIATION INEVITABLY CAUSED DIFFICULTIES WITHIN THE OMMMINITY.

5. IN A SEPARATE CONVERSATION LERKE, THE COMMISSION'S US DESK OFFICER, EXPANDED ON HIJZEN'S LAST POINT BY PREDICTING THAT CUNTERVAILING IN ANY OF THE FLOAT GLASS CASES WOULD PROVOKE A UNITED COMMUNITY RESPONSE. LOERKE WENT ON TH SAY THAT THE COMMISSION WOULD AGAIN URGE BELGIUM, ITALY, AND GERMANY TO PROVIDE THE INFORMATION REQUESTED IN THE FLOAT GLASS CASE. HOWEVER, HE WAS NOT OPTIMISTIC ABOUT THE RESULT, FOR EVEN IF THE GOVERNMENTS INVOLVED DECIDED TO COOPERATE, FIRMS MIGHT NOT.

6. HIJZEN AND RABOT SAID THAT THE CANNED HAM SITUA-TION WAS DISCRIMINATORY AGAINST THE EC. COMMUNITY CANNED HAM EXPORTS TO THE UNITED STATES HAVE RECENTLY DROPPED BY NEARLY 50 PERCENT AT THE SAME TIME, POLISH LIMITED OFFICIAL USE

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CANNED HAM EXPORTS TO THE UNITED STATES HAD RISEN SUBSTANTIALLYZM THIS RESULT FOLLOWED FROM THE COM-MUNITY NOT INCREASING ITS EXPORT RESTITUTIONS. POLAND, AS A STATE TRADING COUNTRY, WAS EXEMPT FROM APPLICATION OF COUNTERVAILING DUTIES SINCE SUB-SIDIZATION COULD NOT BE DEMONSTRATED. WE TOLD THEM THAT THE COUNTEVAILING DUTY LAW APPLIED TO STATE TRADING ECONOMIES AS WELL AS TO MARKET ECONOMY

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COUNTRIES.

7. SOAMES ASKED US (RHETORICALLY) WHAT THE US EXPECTED THE COMMISION TO DO. WE RESPONDED, IN ACCORDANCE WITH OUR INSTRUCTIONS, THAT WE HOPED TO CONTINUE TO WORK TOGETHER TOWARD THE SATISFACTORY RESOLUTION OF THIS PROBLEM. SOAMES SAID THE COMMISSION EXPECTED THE PRESIDENT TO USE THE DISCRETION PROVIDED BY THE TRADE ACT TO AVOID THE APPLICATION OF COUNTERVAILING DUTIES. (LOERDKE NOTED THAT SOME WITHIN THE COMMISSION (READ LARDINOIS) WOULD EXPECT DISCRETION TO BE EXERCISED WITHOUT THE EC'S BEING REQUIRED TO REDUCE THE SUBSIDY.)

8. WHEN, IN OUR CONVERSATION WITH LOERKE, WE SUGGESTED THAT A DEFINITIVE RESOLUTION OF THESE SUBSIDY/ COUNTERVAILING PROBLEMS WOULD HAVE TO BE SOUGHT IN THE MTN, HE RESPONDED THAT FRANCE, AT ANY RATE, HAD ARGUED THAT THE US WAS IN THE PROCESS OF ACCUMULATING NEGOTIATING CHIPS FOR THE MTN, AND WOULD URGE THE OTHER MEMBER STATES TO VIEW THE LATEST COUNTERVAILING ACTIONS IN THIS LIGHT. THUS, THESE ACTIONS TO SOME DEGREE REDUCED RATHER THAN PROMOTED THE CHANCES OF A RESOLUTION OF THE SUBSIDIES/ COUNTERVAILING ISSUE. GREENWALD

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